

Senate Bill No. 1132

CHAPTER 56

An act to amend Sections 14556.8 and 63048.65 of, and to add Section 8592.7 to, the Government Code, to amend Sections 7102, 7105, and 7106 of, and to add Section 7104.3 to, the Revenue and Taxation Code, and to repeal and add Section 140.3 of the Streets and Highways Code, relating to transportation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor July 7, 2006. Filed with
Secretary of State July 7, 2006.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1132, Committee on Budget and Fiscal Review. Transportation.

(1) The Public Safety Communication Act of 2002 provides that the Public Safety Radio Strategic Planning Committee has primary responsibility in state government for developing and implementing a statewide integrated public safety communication system for state agencies, subject to specified criteria, including the annual submission of specified information to the Legislature.

This bill would require a proposal by a state agency for funding to support a new or modified radio system to be accompanied by a technical project plan, to include specified components, and to be reviewed by the committee for consistency with the statewide integrated public safety communication strategic plan included in the annual report, and by the Telecommunications Division within the Department of General Services for consistency with the technical requirements of the plan.

(2) Existing law, pursuant to Proposition 116 of 1990, an initiative act, creates the Public Transportation Account as a trust fund in the State Transportation Fund, and provides that funds are to be deposited in the account from a specified portion of the sales taxes on gasoline and diesel fuel, and are available for expenditure only for transportation planning and mass transportation purposes. These provisions may be amended by the Legislature only by a $\frac{2}{3}$ vote of both houses and only if the amending statute is consistent with, and furthers the purposes of, the initiative act.

This bill, for the 2006–07 fiscal year, would transfer \$200 million from the sales tax on gasoline to the Transportation Deferred Investment Fund that would otherwise be deposited in the Public Transportation Account. These revenues would be used as partial payment of amounts due to be paid to the Transportation Deferred Investment Fund no later than June 30, 2008. The bill would also specify the allocation of certain gasoline sales revenues that would be transferred to the Public Transportation Account in the 2006–07 fiscal year. The bill would make other conforming changes

reflecting allocation of certain gasoline sales tax revenues in the 2006–07 fiscal year to the Bay Area Toll Account pursuant to Chapter 375 of the Statutes of 2005.

(3) Article XIX B of the California Constitution requires, commencing with the 2003–04 fiscal year, sales taxes on motor vehicle fuel that are deposited in the General Fund to be transferred to the Transportation Investment Fund for allocation to various transportation purposes. Article XIX B authorizes the transfer of these revenues to the Transportation Investment Fund to be suspended in whole or in part for a fiscal year during a fiscal emergency pursuant to a proclamation issued by the Governor and the enactment of a statute by a $\frac{2}{3}$ vote in each house of the Legislature if the statute does not contain any unrelated provision. Existing law requires an amount equivalent to the amount that would have been transferred in the absence of a suspension enacted in 2 specified fiscal years to be transferred by the Controller to the Transportation Deferred Investment Fund not later than June 30, 2008, or June 30, 2009, as applicable, for allocation to transportation purposes that would have been funded in the absence of a suspension, plus interest in certain cases.

This bill would appropriate \$495 million from the General Fund to the Transportation Deferred Investment Fund as partial payment of the amounts due to that fund no later than June 30, 2009. The bill would also appropriate \$720 million from the General Fund to the Transportation Deferred Investment Fund as partial payment of the amounts due to that fund no later than June 30, 2008. The bill would specify the allocation of those funds along with the \$200 million transferred to the Transportation Deferred Investment Fund pursuant to paragraph (2) above, to various transportation programs that are funded by the Transportation Investment Fund.

The bill would also authorize the Department of Finance to adjust the budgeting, accounting, and reporting systems for the Transportation Investment Fund and the Transportation Deferred Investment Fund so that unliquidated encumbrances are not reflected in the fund balance or financial statement for each fund.

(4) Existing law provides for transfer of certain gasoline sales taxes to the Transportation Investment Fund, with a portion of those revenues to be available for transfer to the Transportation Congestion Relief Fund (TCRF) for allocation to specified transportation capital projects. Existing law authorized loans of up to \$654 million from the State Highway Account and \$280 million from the Public Transportation Account to the TCRF, which loans are to be repaid no later than June 30, 2007, and June 30, 2008, respectively. Existing law also requires interest to be paid relative to loans of State Highway Account funds in excess of \$180 million. Existing law authorizes a loan of funds in the TCRF to the General Fund to be repaid as soon as needed to support expected cash expenditures for projects to be funded from the TCRF, or from securitization of tribal gaming revenues or other resources, as specified.

This bill would delete the specific dates for repayment of loans made from the Public Transportation Account and the State Highway Account to the Transportation Congestion Relief Fund. The bill would instead require those accounts to be repaid at the time the Transportation Congestion Relief Fund is repaid by the General Fund under the above-referenced provisions.

(5) Existing law authorizes the California Infrastructure and Economic Development Bank to sell specified portions of compact assets, defined as moneys required to be paid to the state under specified provisions of designated tribal compacts and the state's rights to receive those payments, to a special purpose trust, which may issue bonds against those assets. The net proceeds of the sale of the compact assets are required to be deposited into certain transportation funds in a specified order.

Existing law authorizes the loan of funds in the State Highway Account to the TCRF through the annual Budget Act, with interest to be calculated annually pursuant to a specified formula.

This bill would revise the amounts from the net proceeds of the sale of compact assets to be deposited into the TCRF and transferred into the State Highway Account and the Public Transportation Account pursuant to these provisions to reflect repayments of amounts owed to those accounts in the 2006–07 fiscal year, as described in paragraph (3) above. The bill would make other related changes. By revising the amount of funds to be deposited into a continuously appropriated fund, including the interest due, this bill would make an appropriation.

(6) Existing law provides that the Department of Transportation has full possession and control of the State Highway System and associated property. Existing law establishes a mechanism for the department to recover costs for the department's mobile equipment services through assessments on the department's divisions and programs, or local transportation authorities, as applicable, with proceeds to be deposited in the Equipment Service Fund.

This bill would repeal these provisions. The bill would transfer the assets, obligations, and encumbrances of the Equipment Service Fund to the State Highway Account.

(7) This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 8592.7 is added to the Government Code, to read:

8592.7. (a) A budget proposal submitted by a state agency for support of a new or modified radio system shall be accompanied by a technical project plan that includes all of the following:

(1) The scope of the project.

- (2) Alternatives considered.
- (3) Justification for the proposed solution.
- (4) A project implementation plan.
- (5) A proposed timeline.
- (6) Estimated costs by fiscal year.

(b) The committee shall review the plans submitted pursuant to subdivision (a) for consistency with the statewide integrated public safety communication strategic plan included in the annual report required pursuant to Section 8592.6.

(c) The Telecommunications Division of the Department of General Services shall review the plans submitted pursuant to subdivision (a) for consistency with the technical requirements of the statewide integrated public safety communication strategic plan included in the annual report required pursuant to Section 8592.6.

SEC. 2. Section 14556.8 of the Government Code is amended to read:

14556.8. (a) (1) To the extent necessary to provide adequate cash to fund projected expenditures under this chapter, the Director of Finance may authorize, by executive order, the transfer of not more than one hundred million dollars (\$100,000,000), as an interest free loan, from the Motor Vehicle Account in the State Transportation Fund to the TCRF, and the transfer of any available funds, as an interest free loan, from the General Fund to the TCRF. Loans from the Motor Vehicle Account may be made no sooner than July 1, 2004, and shall be repaid no later than July 1, 2007. The Director of Finance shall not authorize a loan from the Motor Vehicle Account, and shall promptly require the repayment of any outstanding balance owed to that account, if the funds are needed in the account to make expenditures authorized in the annual Budget Act and by any other appropriations made by the Legislature.

(2) To provide cash needed for expenditures on projects listed in Section 14556.40, the Legislature may authorize loans from the Public Transportation Account or the State Highway Account to the TCRF through the annual Budget Act. The Legislature may also authorize the State Highway Account to expend funds on behalf of projects listed in Section 14556.40 and those expenditures shall constitute a loan to the TCRF. Loans from the Public Transportation Account shall not exceed a cumulative total of two hundred eighty million dollars (\$280,000,000), and loans from the State Highway Account shall not exceed a cumulative total of six hundred fifty-four million dollars (\$654,000,000).

(b) The Director of Finance shall order the repayment of the loans authorized under this section under those terms and conditions that the director deems appropriate, upon determining that there are adequate funds available for that purpose in the TCRF and that repayment will not jeopardize the availability of money needed to fund approved and projected expenditures under this chapter. All loans from the Public Transportation Account and the State Highway Account shall be repaid at the time the TCRF is repaid pursuant to paragraph (2) of subdivision (c). Upon the request of the commission or the Director of Finance, the

department shall provide a report, for purposes of this subdivision, projecting the cash needs of the projects approved under this chapter.

(c) (1) Money in the TCRF derived from the General Fund and not currently needed for expenditures on the projects listed in Section 14556.40 may be loaned to the General Fund through the annual Budget Act.

(2) Upon making a determination that funds in the TCRF are not adequate to support expected cash expenditures for the listed projects, the Director of Finance, by executive order, shall require that funds loaned to the General Fund under paragraph (1) be repaid to the TCRF. All these loans shall be repaid upon the sale of bonds authorized by Article 6.5 (commencing with Section 63048.6) of Chapter 2 of Division 1 of Title 6.7. If the proceeds from those bonds are insufficient to repay the funds loaned to the General Fund under paragraph (1), the remaining amount of those loans shall be repaid from future tribal gaming revenues, additional securitizations against those revenues, or from the General Fund.

(3) Interest at the rate earned by the Surplus Money Investment Fund shall be paid to the TCRF from the General Fund with respect to the cumulative amount loaned from the State Highway Account to the TCRF pursuant to paragraph (2) of subdivision (a) that is in excess of one hundred eighty million dollars (\$180,000,000). The amount of this interest obligation shall be calculated annually on the balance of this portion of this outstanding loan amount. All interest on the loan shall be paid in full at the time the TCRF is repaid pursuant to paragraph (2), and the interest payment shall be transferred from the TCRF to the State Highway Account.

(d) Funds loaned to the TCRF under this section shall be used for purposes consistent with any restrictions on uses of those funds imposed under the California Constitution or by statute. The department shall identify specific projects to which those funds may properly be applied and shall propose that application of funds to the commission. The commission shall designate projects to receive those funds through the processes described in Article 3 (commencing with Section 14556.10) and Article 4 (commencing with Section 14556.25). The department shall report periodically to the commission and the Department of Finance on the expenditure of those funds.

(e) This section shall become inoperative upon full repayment of loans authorized by this section, and shall be repealed on January 1 of the following year.

SEC. 3. Section 63048.65 of the Government Code is amended to read:

63048.65. (a) Upon a filing by the Director of Finance with the bank of a list of designated tribal compacts and the specific portions of the compact assets to be sold, the bank may sell for, and on behalf of, the state, solely as its agent, those specific portions of the compact assets to a special purpose trust. To that end, a special purpose trust is hereby established as a not-for-profit corporation solely for that purpose and for the purposes necessarily incidental thereto. The bank may enter into one or

more sales agreements with the special purpose trust on terms it deems appropriate, which may include covenants of, and binding on, the state necessary to establish and maintain the security of the bonds and exemption of interest on the bonds from federal income taxation. The portion of the compact assets to be sold shall be an amount or amounts determined by the Director of Finance that are necessary to provide the state with net proceeds of the sale, not to exceed one billion five hundred million dollars (\$1,500,000,000), exclusive of capitalized interest on the bonds and any costs incurred by the bank or the special purpose trust in implementing this article, including, but not limited to, the cost of financing one or more reserve funds, any credit enhancements, costs incurred in the issuance of bonds, and operating expenses. Those specific portions of the compact assets may be sold at one time or from time to time.

(b) The special purpose trust may issue bonds, including, but not limited to, refunding bonds, on the terms it shall determine, and do all things contemplated by, and authorized by, this division with respect to the bank, and enjoy all rights, privileges, and immunities the bank enjoys pursuant to this division, or as authorized by Section 5140 of the Corporations Code with respect to public benefit nonprofit corporations, or as necessary or appropriate in connection with the issuance of bonds, and may enter into agreements with any public or private entity and pledge the compact assets that it purchased as collateral and security for its bonds. However, to the extent of any conflict between any of the foregoing and the provisions of this article, the provisions of this article shall control. The pledge of any of these assets and of any revenues, reserves, and earnings pledged in connection with these assets shall be valid and binding in accordance with its terms from the time the pledge is made, and amounts so pledged and thereafter received shall immediately be subject to the lien of the pledge without the need for physical delivery, recordation, filing, or other further act. The special purpose trust, and its assets and income, and bonds issued by the special purpose trust, and their transfer and the income therefrom, shall be exempt from all taxation by the state and by its political subdivisions.

(c) (1) The net proceeds of the sale of compact assets by the bank shall be deposited in the following order:

(A) One billion two hundred million dollars (\$1,200,000,000) plus any interest due pursuant to paragraph (3) of subdivision (c) of Section 14556.8, to the Traffic Congestion Relief Fund for the purpose of funding or reimbursing the cost of projects, programs, and activities permitted and necessary to be funded by that fund in accordance with applicable law, and to repay loans made from the State Highway Account and the Public Transportation Account to the Traffic Congestion Relief Fund pursuant to Section 14556.8, in the following priority order:

(i) Transfer of four hundred forty-three million dollars (\$443,000,000) plus any interest due pursuant to paragraph (3) of subdivision (c) of Section 14556.8, to the State Highway Account for project expenditures.

(ii) Two hundred ninety million dollars (\$290,000,000) for allocation to Traffic Congestion Relief Program projects.

(iii) Two hundred seventy-five million dollars (\$275,000,000) to the Public Transportation Account for project expenditures.

(iv) All remaining funds for allocation to Traffic Congestion Relief Program projects.

(B) To the Transportation Deferred Investment Fund, an amount up to the outstanding amount of the suspension of the 2004–05 fiscal year transfer of the sales tax on gasoline to the Transportation Investment Fund pursuant to requirements of Article XIX B of the California Constitution.

(C) To the Transportation Deferred Investment Fund, an amount up to the outstanding amount of the suspension of the 2003–04 fiscal year transfer of the sales tax on gasoline to the Transportation Investment Fund pursuant to requirements of Article XIX B of the California Constitution.

(2) Notwithstanding paragraph (1), if and to the extent it is necessary to ensure to the maximum extent practicable the eligibility for exclusion from taxation under the federal Internal Revenue Code of interest on the bonds to be issued by the special purpose trust, the Director of Finance may adjust the application of proceeds not eligible for exclusion from taxation among the authorized funds described in paragraph (1). The Department of Finance shall submit a report to the Legislature describing any proposed changes among the authorized funds in paragraph (1), and consistent with this paragraph, at least 30 days prior to issuing the bonds pursuant to this article. Amounts deposited in the Traffic Congestion Relief Fund pursuant to paragraph (1) shall be applied as a credit to transfers from the General Fund that the Controller would otherwise be required to make to that fund. Amounts deposited in the Transportation Deferred Investment Fund shall be expended in conformance with Sections 7105 and 7106 of the Revenue and Taxation Code, and the amounts so deposited shall also be applied as a credit to the transfers from the General Fund that the Controller would otherwise be required to make under those sections. The Legislature hereby finds and declares that the deposits and credits described in this subdivision do not constitute the use of the proceeds of bonds or other indebtedness to pay a yearend State Budget deficit as prohibited by subdivision (c) of Section 1.3 of Article XVI of the California Constitution. Subject to any constitutional limitation, the use and application of the proceeds of any sale of compact assets or bonds shall not in any way affect the legality or validity of that sale or those bonds.

(d) Funds received from amended tribal-state compacts, or new compacts entered into and ratified on or after the effective date of this article, pursuant to Section 4.3.1 of the amended compacts, or the comparable section in new compacts, as specified in those compacts, that are neither sold to the special purpose trust nor otherwise appropriated, and funds received as a result of the state's acquisition of an ownership interest in any residual interest in compact assets attributable to Section 4.3.1 of the amended compacts, or the comparable section in new

compacts, as specified in those compacts, shall be remitted to the California Gambling Control Commission for deposit in the General Fund.

(e) Funds received from amended tribal-state compacts, or new compacts entered into and ratified on or after the effective date of this article, pursuant to Section 4.3.3 of the amended compacts, or the comparable section in new compacts, as specified in those compacts, shall be held in an account within the Special Deposit Fund until those funds are sold or otherwise applied pursuant to this subdivision. From time to time, at the direction of the Director of Finance, any moneys in this account shall be deposited and applied in accordance with subdivision (c) or shall be deemed to be compact assets for purposes of sale to the special purpose trust pursuant to this article. If the Director of Finance determines that the bonds authorized pursuant to this article cannot be successfully issued by the special purpose trust, funds within the account shall be deposited in accordance with subdivision (c). In addition, all subsequent revenues remitted pursuant to Section 4.3.3 of the amended compacts, or the comparable section in new compacts, as specified in those compacts, and funds received as a result of the state's acquisition of an ownership interest in any residual interest in compact assets attributable to Section 4.3.3 of the amended compacts, or the comparable section in new compacts, as specified in those compacts, shall be used to satisfy the purposes of subdivision (c). When the amounts described in subdivision (c) have been paid to the funds named in that subdivision either pursuant to this article or by other appropriations or transfers, thereafter the revenues received by the state from Section 4.3.3 of the compact shall be remitted to the California Gambling Control Commission for deposit in the General Fund.

(f) The principal office of the special purpose trust shall be located in the County of Sacramento. The articles of incorporation of the special purpose trust shall be prepared and filed, on behalf of the state, with the Secretary of State by the bank. The members of the board of directors of the bank as of the effective date of this article, the Director of the Department of Transportation, and the Director of General Services, shall each serve ex officio as the directors of the special purpose trust. Any of these directors may name a designee to act on his or her behalf as a director of the special purpose trust. The Director of Finance or his or her designee shall serve as chair of the special purpose trust. Directors of the special purpose trust shall not be subject to personal liability for carrying out the powers and duties conferred by this article. The Legislature hereby finds and declares that the duties and responsibilities of the directors of the special purpose trust and the duties and responsibilities of the Director of Finance established under this article are within the scope of the primary duties of those persons in their official capacities. The special purpose trust shall be treated as a separate legal entity with its separate corporate purpose as described in this article, and the assets, liabilities, and funds of the special purpose trust shall be neither consolidated nor commingled with those of the bank.

SEC. 4. Section 7102 of the Revenue and Taxation Code is amended to read:

7102. The money in the fund shall, upon order of the Controller, be drawn therefrom for refunds under this part, credits or refunds pursuant to Section 60202, and refunds pursuant to Section 1793.25 of the Civil Code, or be transferred in the following manner:

(a) (1) All revenues, less refunds, derived under this part at the $4\frac{3}{4}$ -percent rate, including the imposition of sales and use taxes with respect to the sale, storage, use, or other consumption of motor vehicle fuel which would not have been received if the sales and use tax rate had been 5 percent and if motor vehicle fuel, as defined for purposes of the Motor Vehicle Fuel License Tax Law (Part 2 (commencing with Section 7301)), had been exempt from sales and use taxes, shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and shall be transferred quarterly to the Public Transportation Account, a trust fund in the State Transportation Fund, except as modified as follows:

(A) For the 2001–02 fiscal year, those transfers may not be more than eighty-one million dollars (\$81,000,000) plus one-half of the amount computed pursuant to this paragraph that exceeds eighty-one million dollars (\$81,000,000).

(B) For the 2002–03 fiscal year, those transfers may not be more than thirty-seven million dollars (\$37,000,000) plus one-half of the amount computed pursuant to this paragraph that exceeds thirty-seven million dollars (\$37,000,000).

(C) For the 2003–04 fiscal year, no transfers shall be made pursuant to this paragraph, except that if the amount to be otherwise transferred pursuant to this paragraph is in excess of eighty-seven million four hundred fifty thousand dollars (\$87,450,000), then the amount of that excess shall be transferred.

(D) For the 2004–05 fiscal year, no transfers shall be made pursuant to this paragraph, and of the amount that would otherwise have been transferred, one hundred forty million dollars (\$140,000,000) shall instead be transferred to the Traffic Congestion Relief Fund as partial repayment of amounts owed by the General Fund pursuant to Item 2600-011-3007 of the Budget Act of 2002 (Chapter 379 of the Statutes of 2002).

(E) For the 2005–06 fiscal year, no transfers shall be made pursuant to this paragraph.

(F) For the 2006–07 fiscal year, the revenues estimated pursuant to this paragraph shall, notwithstanding any other provision of this paragraph or any other provision of law, be transferred and allocated as follows:

(i) The first two hundred million dollars (\$200,000,000) shall be transferred to the Transportation Deferred Investment Fund as partial repayment of the amounts owed by the General Fund to that fund pursuant to Section 7106.

(ii) The next one hundred twenty-five million dollars (\$125,000,000) shall be transferred to the Bay Area Toll Account for expenditure pursuant to Section 188.6 of the Streets and Highways Code.

(iii) Of the remaining revenues, thirty-three million dollars (\$33,000,000) shall be transferred to the Public Transportation Account to support appropriations from that account in the Budget Act of 2006.

(iv) The remaining revenues shall be transferred to the Public Transportation Account for allocation as follows:

(I) Twenty percent to the Department of Transportation for purposes of Section 99315 of the Public Utilities Code.

(II) Forty percent to the Controller, for allocation pursuant to Section 99314 of the Public Utilities Code.

(III) Forty percent to the Controller, for allocation pursuant to Section 99313 of the Public Utilities Code.

(2) All revenues, less refunds, derived under this part at the $4\frac{3}{4}$ -percent rate, resulting from increasing, after December 31, 1989, the rate of tax imposed pursuant to the Motor Vehicle Fuel License Tax Law on motor vehicle fuel, as defined for purposes of that law, shall be transferred quarterly to the Public Transportation Account, a trust fund in the State Transportation Fund.

(3) All revenues, less refunds, derived under this part at the $4\frac{3}{4}$ -percent rate from the imposition of sales and use taxes on fuel, as defined for purposes of the Use Fuel Tax Law (Part 3 (commencing with Section 8601)) and the Diesel Fuel Tax Law (Part 31 (commencing with Section 60001)), shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and shall be transferred quarterly to the Public Transportation Account, a trust fund in the State Transportation Fund.

(4) All revenues, less refunds, derived under this part from the taxes imposed pursuant to Sections 6051.2 and 6201.2 shall be transferred to the Sales Tax Account of the Local Revenue Fund for allocation to cities and counties as prescribed by statute.

(5) All revenues, less refunds, derived from the taxes imposed pursuant to Section 35 of Article XIII of the California Constitution shall be transferred to the Public Safety Account in the Local Public Safety Fund created in Section 30051 of the Government Code for allocation to counties as prescribed by statute.

(b) The balance shall be transferred to the General Fund.

(c) The estimates required by subdivision (a) shall be based on taxable transactions occurring during a calendar year, and the transfers required by subdivision (a) shall be made during the fiscal year that commences during that same calendar year. Transfers required by paragraphs (1), (2), and (3) of subdivision (a) shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and shall be made quarterly.

(d) Notwithstanding the designation of the Public Transportation Account as a trust fund pursuant to subdivision (a), the Controller may use the Public Transportation Account for loans to the General Fund as provided in Sections 16310 and 16381 of the Government Code. The loans

shall be repaid with interest from the General Fund at the Pooled Money Investment Account rate.

(e) The Legislature may amend this section, by statute passed in each house of the Legislature by rollcall vote entered in the journal, two-thirds of the membership concurring, if the statute is consistent with, and furthers the purposes of this section.

SEC. 5. Section 7104.3 is added to the Revenue and Taxation Code, to read:

7104.3. Notwithstanding any other provision of law, the Department of Finance may adjust the budgeting, accounting, and reporting system for the Transportation Investment Fund so that unliquidated encumbrances are not reflected in the fund balance or financial statement.

SEC. 6. Section 7105 of the Revenue and Taxation Code is amended to read:

7105. (a) The Transportation Deferred Investment Fund is hereby created in the State Treasury.

(b) On or before June 30, 2009, the Controller shall transfer an amount from the General Fund to the Transportation Deferred Investment Fund that is equal to the amount that was not transferred from the General Fund to the Transportation Investment Fund for the 2003–04 fiscal year because of the partial suspension of the transfer pursuant to Section 14557 of the Government Code, plus interest calculated at the Pooled Money Investment Account rate relative to the amounts that would otherwise have been available for the transportation programs described in paragraphs (2) to (5), inclusive, of subdivision (c) of Section 7104. The amount to be transferred from the General Fund to the Transportation Deferred Investment Fund shall be reduced by the amount of any payment made to the Transportation Deferred Investment Fund from any funding source, excluding subdivision (d). The moneys deposited in the Transportation Deferred Investment Fund pursuant to this subdivision are continuously appropriated without regard to fiscal years for disbursement in the manner and for the purposes set forth in this section.

(c) The Controller, from the moneys deposited in the Transportation Deferred Investment Fund pursuant to subdivision (b), shall make transfers and apportionments of those funds in the same manner and amounts that would have been made in the 2003–04 fiscal year from the Transportation Investment Fund pursuant to Section 7104, as that section read on January 1, 2003, if the transfer of funds from the General Fund to the Transportation Investment Fund had not been partially suspended for the 2003–04 fiscal year pursuant to Section 14557 of the Government Code. However, in making those transfers and apportionments, the Controller shall take into account and deduct therefrom any transfers and apportionments that were made from the Transportation Investment Fund in the 2003–04 fiscal year from funds made available pursuant to subdivision (b) of Section 14557 of the Government Code. It is the intent of the Legislature that, upon completion of the transfer of funds pursuant to subdivision (b) from the General Fund to the Transportation Deferred

Investment Fund, each of the transportation programs that was to have been funded during the 2003–04 fiscal year from the Transportation Investment Fund pursuant to Section 7104 of this code shall have received the amount of funding that the program would have received in the absence of the suspension of the transfer pursuant to Section 14557 of the Government Code.

(d) The interest that is to be deposited in the Transportation Deferred Investment Fund pursuant to subdivision (b) shall be allocated proportionately to each program element in paragraphs (2) to (5), inclusive, of subdivision (c) of Section 7104, based on the amount that each program did not receive in the 2003–04 fiscal year due to suspension of the transfer pursuant to Section 14557 of the Government Code.

(e) Four hundred ninety-five million dollars (\$495,000,000) is hereby appropriated from the General Fund to the Transportation Deferred Investment Fund for the purpose of paying a portion of the amount required to be paid pursuant to subdivision (b). The Controller shall make the payment immediately upon enactment of the statute amending this section in the 2005–06 Regular Session. Notwithstanding subdivision (c), these funds, shall be distributed as follows:

(1) The first one hundred ninety-two million dollars (\$192,000,000) and any interest due pursuant to this section shall remain in the Transportation Deferred Investment Fund to be used for projects in the State Transportation Improvement Program pursuant to paragraph (3) of subdivision (c) of Section 7104.

(2) The next one hundred ninety-two million dollars (\$192,000,000) and any interest due pursuant to this section shall be distributed to cities and counties, as follows:

(A) Ninety-six million dollars (\$96,000,000) and any interest due pursuant to this section shall be transferred to cities for the purposes specified in Section 7104 pursuant to the formula in paragraph (5) of subdivision (c) of that section.

(B) Ninety-six million dollars (\$96,000,000) and any interest due pursuant to this section shall be transferred to counties for the purposes specified in Section 7104 pursuant to the formula in paragraph (4) of subdivision (c) of that section.

(3) Ninety-six million dollars (\$96,000,000) and any interest due pursuant to this section shall be transferred to the Public Transportation Account for allocation pursuant to Section 99312 of the Public Utilities Code.

(4) Any funds remaining following the distributions required by paragraphs (1), (2), and (3) shall be transferred to the Traffic Congestion Relief Fund, and shall be deemed to be funds received by that fund in the 2003–04 fiscal year.

(f) The Legislature finds and declares that continued investment in transportation is essential for the California economy. That investment reduces traffic congestion, assists in economic development, improves the

condition of local streets and roads, and provides high-quality public transportation.

(g) Notwithstanding any other provision of law, the Department of Finance may adjust the budgeting, accounting, and reporting system for the Transportation Deferred Investment Fund so that unliquidated encumbrances are not reflected in the fund balance or financial statement.

SEC. 7. Section 7106 of the Revenue and Taxation Code is amended to read:

7106. (a) On or before June 30, 2008, the Controller shall transfer an amount from the General Fund to the Transportation Deferred Investment Fund that is equal to the amount that was not transferred from the General Fund to the Transportation Investment Fund for the 2004–05 fiscal year because of the suspension of the transfer pursuant to Section 14558 of the Government Code, plus interest calculated at the Pooled Money Investment Account rate relative to the amounts that would otherwise have been available for the transportation programs described in paragraphs (2) to (5), inclusive, of subdivision (c) of Section 7104. The amount to be transferred from the General Fund to the Transportation Deferred Investment Fund shall be reduced by the amount of any payment made to the Transportation Deferred Investment Fund from any funding source.

(b) The money deposited in the Transportation Deferred Investment Fund pursuant to this section is continuously appropriated without regard to fiscal years for disbursement in the manner and for the purposes set forth in this section.

(c) The Controller, from the money deposited in the Transportation Deferred Investment Fund pursuant to subdivision (a), shall make transfers and apportionments of those funds in the same manner and amounts that would have been made in the 2004–05 fiscal year from the Transportation Investment Fund pursuant to Section 7104, as that section read on January 1, 2003, if the transfer of funds from the General Fund to the Transportation Investment Fund had not been suspended for the 2004–05 fiscal year pursuant to Section 14558 of the Government Code. It is the intent of the Legislature that upon completion of the transfer of funds pursuant to subdivision (a) from the General Fund to the Transportation Deferred Investment Fund that each of the transportation programs that was to have been funded during the 2004–05 fiscal year from the Transportation Investment Fund pursuant to Section 7104 shall have received the amount of funding that the program would have received in the absence of the suspension of the transfer pursuant to Section 14558 of the Government Code.

(d) The interest that is to be deposited in the Transportation Deferred Investment Fund pursuant to subdivision (a) shall be allocated proportionately to each program element in paragraphs (2) to (5), inclusive, of subdivision (c) of Section 7104, based on the amount that each program did not receive in the 2004–05 fiscal year due to suspension of the transfer pursuant to Section 14558 of the Government Code.

(e) Seven hundred twenty million dollars (\$720,000,000) is hereby appropriated from the General Fund to the Transportation Deferred Investment Fund for the purpose of paying a portion of the amount required to be paid pursuant to subdivision (a). The Controller shall make the payment immediately upon enactment of the statute amending this section in the 2005–06 Regular Session. In addition, two hundred million dollars (\$200,000,000) transferred to the Transportation Deferred Investment Fund pursuant to subparagraph (F) of paragraph (1) of subdivision (a) of Section 7102 shall also be available for that purpose. Notwithstanding subdivision (c), these funds, totaling nine hundred twenty million dollars (\$920,000,000), shall be distributed as follows:

(1) The first two hundred thirty-two million dollars (\$232,000,000) and any interest due pursuant to this section shall remain in the Transportation Deferred Investment Fund to be used for projects in the State Transportation Improvement Program pursuant to paragraph (3) of subdivision (c) of Section 7104.

(2) The next two hundred thirty-two million dollars (\$232,000,000) and any interest due pursuant to this section shall be distributed to cities and counties, as follows:

(A) One hundred sixteen million dollars (\$116,000,000) and any interest due pursuant to this section shall be transferred to cities for the purposes specified in Section 7104 pursuant to the formula in paragraph (5) of subdivision (c) of that section.

(B) One hundred sixteen million dollars (\$116,000,000) and any interest due pursuant to this section shall be transferred to counties for the purposes specified in Section 7104 pursuant to the formula in paragraph (4) of subdivision (c) of that section.

(3) One hundred sixteen million dollars (\$116,000,000) and any interest due pursuant to this section shall be transferred to the Public Transportation Account for allocation pursuant to Section 99312 of the Public Utilities Code.

(4) Any funds remaining following the distributions required by paragraphs (1), (2), and (3) shall be transferred to the Traffic Congestion Relief Fund, and shall be deemed to be funds received by that fund in the 2004–05 fiscal year. It is estimated that the amount to be available under this subparagraph will be three hundred fifteen million dollars (\$315,000,000).

SEC. 8. Section 140.3 of the Streets and Highways Code is repealed.

SEC. 9. Section 140.3 is added to the Streets and Highways Code, to read:

140.3. Effective June 30, 2006, the Equipment Service Fund in the State Treasury is abolished and all moneys in the fund shall be transferred to the State Highway Account in the State Transportation Fund. Any outstanding liabilities and encumbrances of the Equipment Service Fund as of June 30, 2006, shall become liabilities and encumbrances payable from the State Highway Account.

SEC. 10. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to implement transportation financing changes relative to the Budget Act of 2006, it is necessary that this act take effect immediately.